

India firms prep for CBAM as transitional phase kicks in

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Even as the European Union's (EU's) carbon levy transition period came into effect on Sunday, small businesses remained apprehensive about potential disruptions in the trade of industrial goods. On the other hand, larger firms affected by the regulation, while expressing concern, had already initiated the necessary processes and appeared more prepared to address the situation.

Starting from October 1, the carbon border adjustment mechanism (CBAM) will be applicable to exports of cement, iron and steel, aluminium, fertilisers, and hydrogen to the EU. The steel and aluminium sectors are expected to face the most significant impact, as India does not export products like cement, fertilisers, hydrogen, and electricity to the EU.

The Federation of Indian Micro and Small & Medium Enterprises (FISME) has urged the government to incorporate provisions for "transition support" in green initiatives to help small and medium enterprises adapt to new sustainability requirements. This support may include capacity building, financial assistance, and technical support.

Anil Bhardwaj, secretary-general of FISME, emphasised the need for "India, along with the Global South, to seek differentiated treatment for small businesses in developing countries".

Companies exporting these products will be required to submit emissions-related data to importers, although no taxes need to be paid at this stage. Penalties will be imposed on importers for failing to submit the required quarterly CBAM reports or for providing incorrect data, underscoring the importance of compliance.

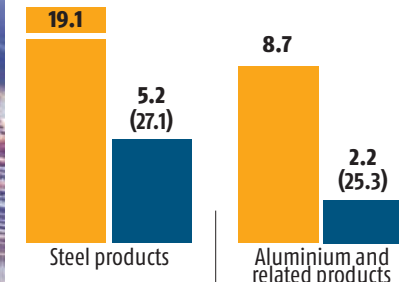
Government officials have stated that they are actively engaging with the EU to address India's concerns regarding the proposed carbon border levy. While there may not be an immediate solution or exemption, officials anticipate taking measures to mitigate disruptions for the industry by the time CBAM is fully implemented in January 2026.

Jayant Acharya, joint managing director (MD) and chief executive officer of JSW Steel, said that although there is currently no financial impact, the reporting of data must adhere to specific formats in line with the combined nomenclature code applicable in the EU. "It stipulates an MRV (monitoring, reporting, and verification) process. Production and raw materials need to be mapped to a product, and emissions will



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India's share of total exports
■ To world ■ To EU (\$ billion)



Note: % share in brackets; EU refers to European Union
Source: GTRI

India and Bangladesh prepare ground for FTA talks

India and Bangladesh have discussed preparations to start talks for a free trade agreement (FTA) between the two countries to promote economic ties, a statement said on Sunday. It was discussed during an official-level meeting of the Joint Working Group on Trade between India and Bangladesh. The meeting "discussed a host of bilateral issues such as removal of port restrictions, ground work on commencement of Comprehensive Economic Partnership Agreement, and mutual recognition of standards, supply of essential commodities to Bangladesh," the commerce ministry said.

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have to be monitored and reported. We have put in systems and automation to do this monitoring and reporting, but it will likely have associated verification costs," he said. He, however, pointed out that the EU will have the data for most of the exporting companies globally, which is a concern. Jindal Stainless has already started recording emissions data since January 1, 2023, to ensure compliance with CBAM reporting guidelines. This data is provided to every EU customer for clearance by Customs.

"We are trying to automate the process of calculating these numbers to generate emissions reports for each invoice entering European shores from October 1," Kalyan Bhattacharjee, chief sustainability officer, Jindal Stainless, said, adding that the company has involved third parties for different legs of this process, but the central coordination and planning are being done by its sustainability team.

R K Goyal, MD, Kalyani Steels, and director of Saarloha, affirmed their preparedness for the transition phase of CBAM, stating they have been producing green steel for the past year. "We are completely prepared for the transition phase of CBAM and will report in the prescribed format," he added.

A spokesperson for the Confederation of Indian Industry mentioned several

challenges faced by Indian industry due to CBAM, including tariff increases, complex reporting requirements, an increased reporting burden, and additional costs for emissions verification by accredited verifiers. "The industry will need to build capacity to prepare for the exhaustive data disclosures," the spokesperson said.

According to Satnam Singh, senior practice leader and director-consulting at CRISIL Market Intelligence & Analytics, India's steel exports to the EU could see a potential cost increase of up to 17 per cent after full CBAM implementation, due to stringent disclosure requirements and the necessity to purchase carbon credits to offset the impact of emissions.

Regarding the aluminium sector, Singh highlighted its vulnerability, given its high emission intensity compared to major exporters. "Indian manufacturers are currently competing with those in West Asia, Canada, Norway, and Iceland, which have significantly lower emissions," he said.

However, during the initial phase of CBAM, exports to the EU are likely to remain stable, with manufacturers like Vedanta and Hindalco, which have robust greenhouse gas reporting standards, fulfilling requirements until the end of 2025.